

Price

The progressive rise in the price of cotton goods began while price ceilings were in effect, when it was a reflection of increases in the subsidized price of raw cotton. United States cotton prices have risen fairly consistently since the outbreak of war.

Raw cotton prices—U.S.A. U.S. Department of Agriculture prices as reproduced in trade publications.

Average for spot middling $\frac{1}{8}$ inch cotton at ten market centres in Southern U.S.A.

	Cents per lb.
1940	10·2
1941	13·9
1942	19·3
1943	20·6
1944	21·2
1945	22·6
1946	30·6
1947	34·4
1948—Jan.	35·15
Feb.	32·76
March	34·19
April	37·22

The cotton subsidy was based originally on a price (in Canada) of 11·4 cents per lb. for U.S. raw cotton. Effective March 1, 1946, this price was increased to 15·4 cents per lb. on Feb. 1, 1947 to 24·4 cents per lb. and on June 2, 1947 to 27·2 cents per lb. During the years that the subsidy plan was in operation, total payments on raw cotton and cotton linters amounted to \$42,005,770. In 1946 alone \$13,487,234 was paid out.

While the rise in the price of raw materials has had a very large effect on the increase in the price of cotton textiles, and is taking a disproportionate part of the sales dollar (see table overleaf), trade representatives were emphatic about the difficulties of securing labour, with a consequent effect on production and price. The shortage of labour and the reduction of the working week were shown to be a major factor in limiting production.

The effect on price of decontrol on September 15, 1947, was not immediate as, by agreement with the W.P.T.B., the companies filled all outstanding orders at the old prices (and, of course, received any subsidy due). The effect of decontrol on sales was to increase the monthly average of \$8,902,000 for the period Sept. 1946 to March, 1947 (19 companies and 3 subsidiaries of tire and rubber manufacturers) to \$12,818,000 for the corresponding period in 1947-48. It should be remembered, however, that during the subsidy period, manufacturers were subject to limitation of profits. In addition production was increasing during the latter period. It was, in fact, stated in evidence (page 3497) that the primary cotton industry had gone a long way towards preserving as closely as possible the relationship with the ceiling price which obtained at the time of decontrol.

While the selling prices of the products made by the five companies under special review all increased considerably during the price control period and afterwards, there was no increase in the share of operating income as a component of cost. Operating income is defined as the profit from operations before deducting taxes on income, interest on borrowed money and other